



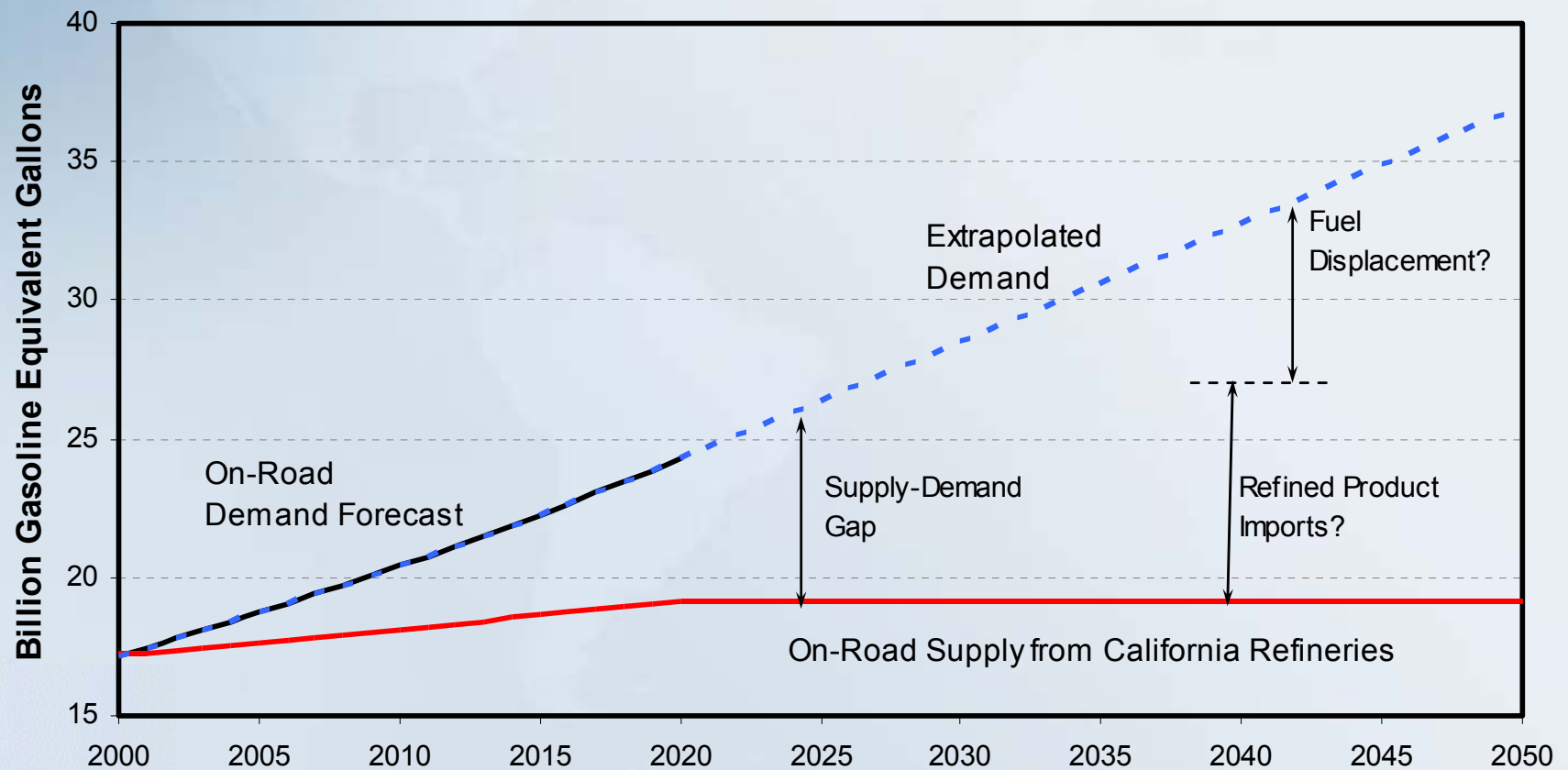
Strategy to Reduce Petroleum Dependence

(Joint CEC-ARB Report to Legislature)

June 9, 2003



The Growing Gap Between Fuel Supply and Demand



AB 2076 Legislative Direction

- Forecast gasoline, diesel and petroleum consumption in 2010, 2020, and at least to 2030
- Joint Energy Commission/ARB Report to the Governor and Legislature
 - A recommended strategy for reducing Petroleum Dependence
 - Statewide goals for reducing rate of growth
- Examine feasibility of operating a Strategic Fuel Reserve (separate proceeding conducted by the Energy Commission)

Implications for Continued Petroleum Dependence

- Economic

Higher gasoline and diesel fuel prices reduce the buying power of consumers and drive up the average cost of goods and services

- Petroleum Supply Disruptions

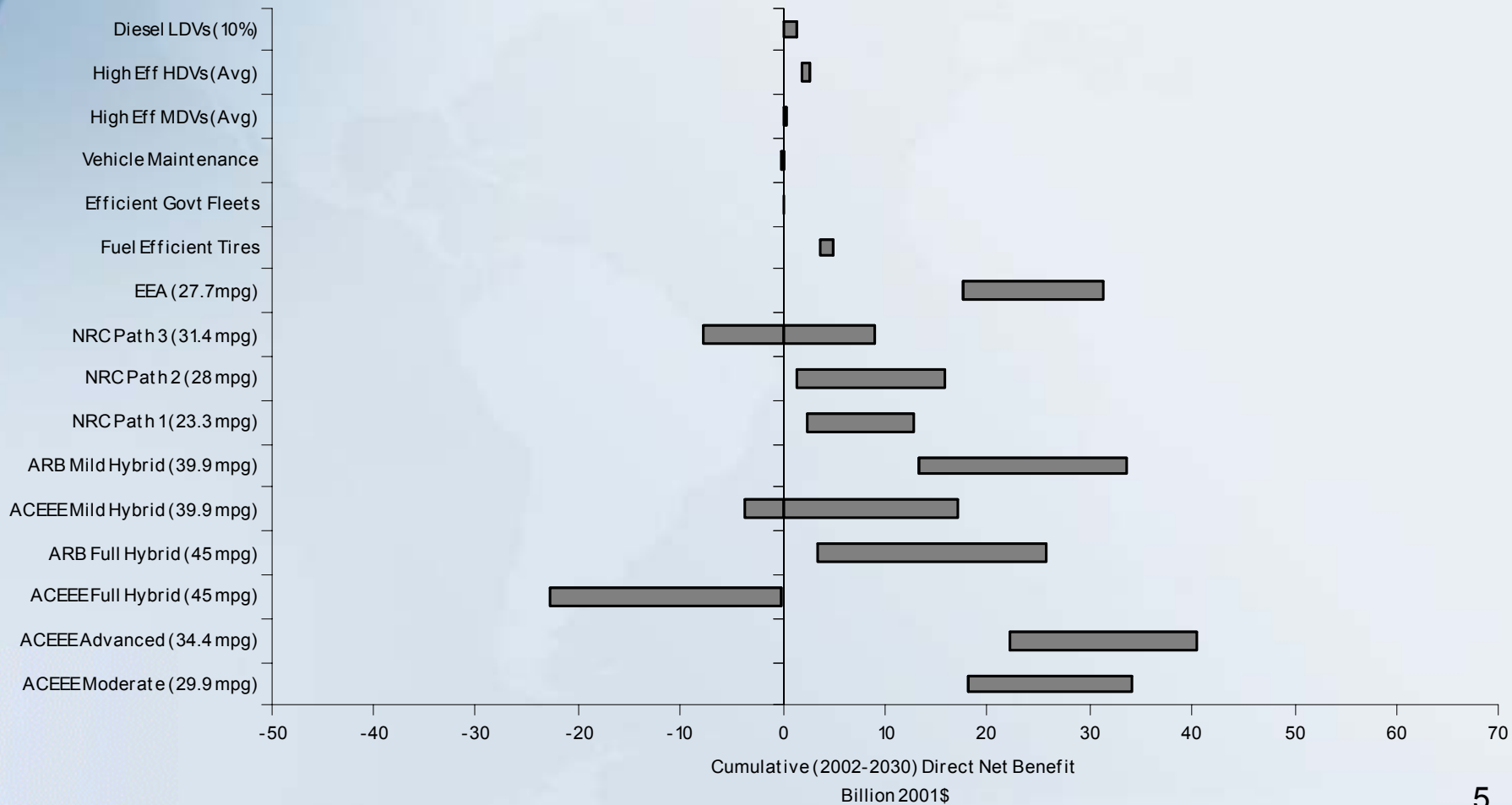
Increased vulnerability to external supply disruptions and geopolitical instability from foreign sources

- Environmental

Trends in petroleum use lead to greater risk of ecosystem damage and disrupt water delivery system due to climate change effects and hinder air quality improvement

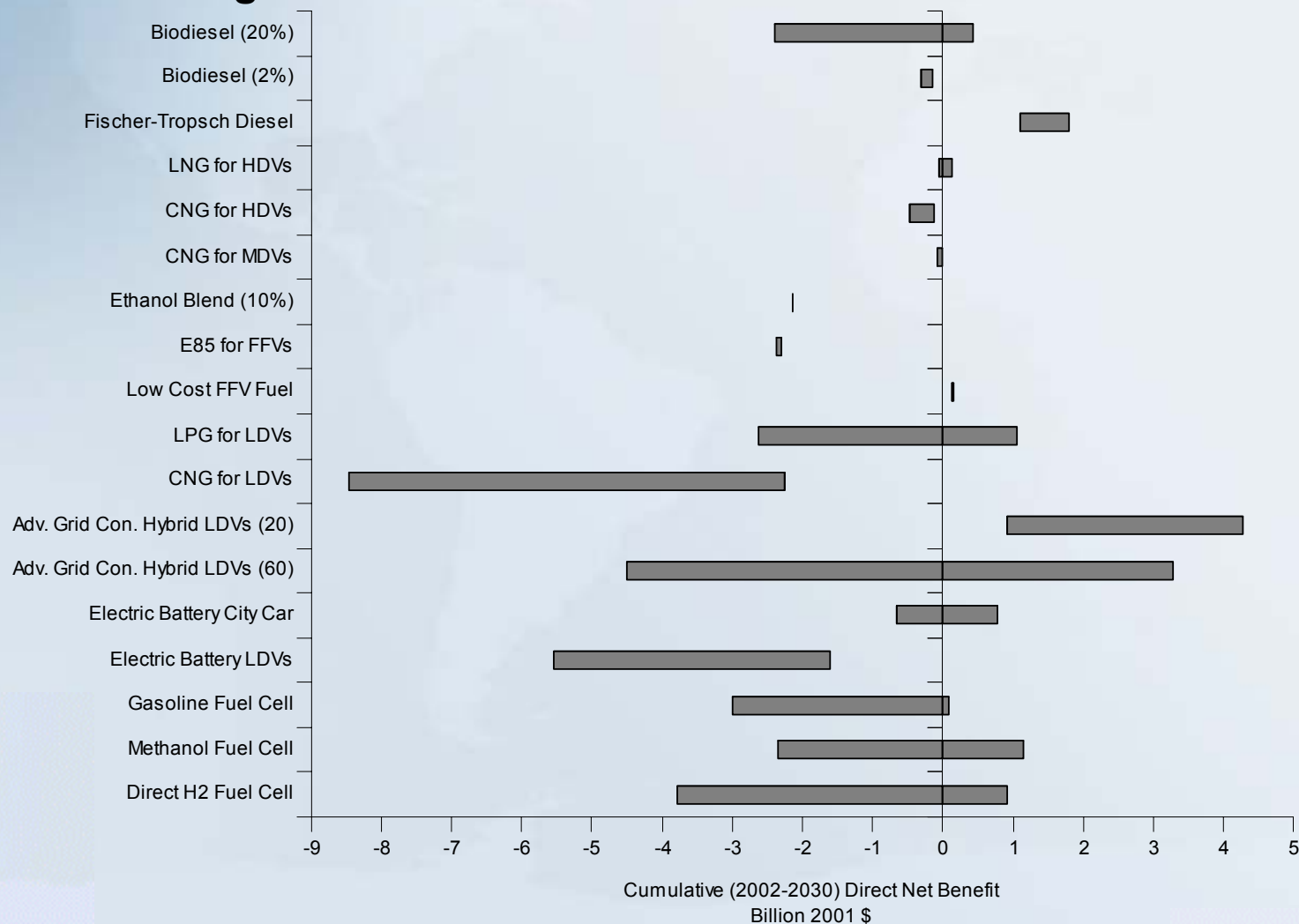
Revised Economic Results

Integrated Benefits of Efficiency Scenarios

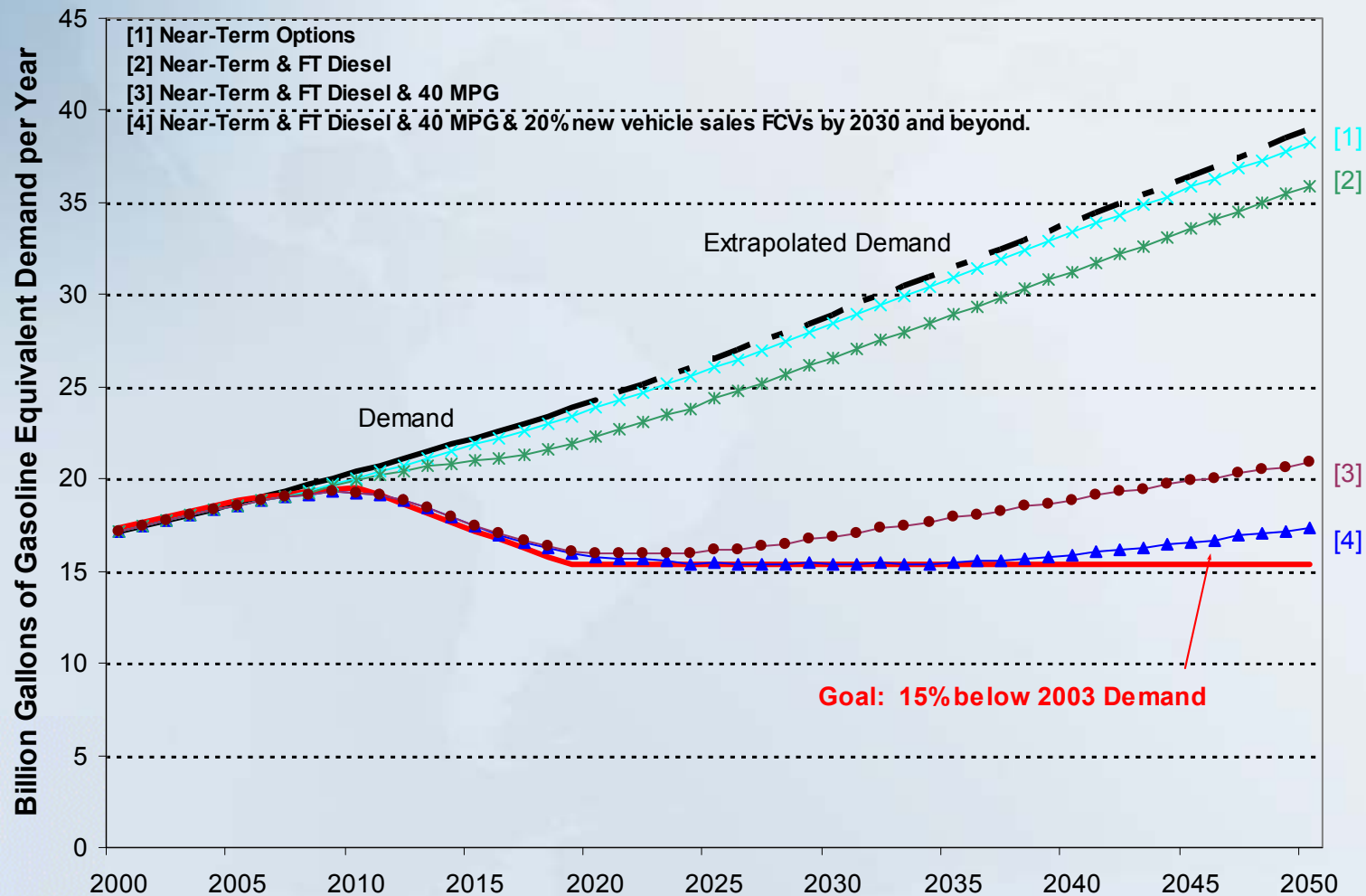


Revised Economic Results

Integrated Benefits of Fuel Substitution Scenarios



Example Petroleum Reduction Portfolio



Staff Proposed Recommendations

- **Reduce demand for on-road gasoline and diesel 15 percent below the 2003 level by 2020 and maintain that level for the foreseeable future.**
- **California and other states persuade the federal government to establish national fuel economy standards that double the fuel efficiency of new cars, light trucks and SUVs.**
- **Increase the use of alternative fuels to 10 percent by 2020 and 18 percent by 2030 (pending).**